

EDMONTON



ANNUAL REPORT 2002

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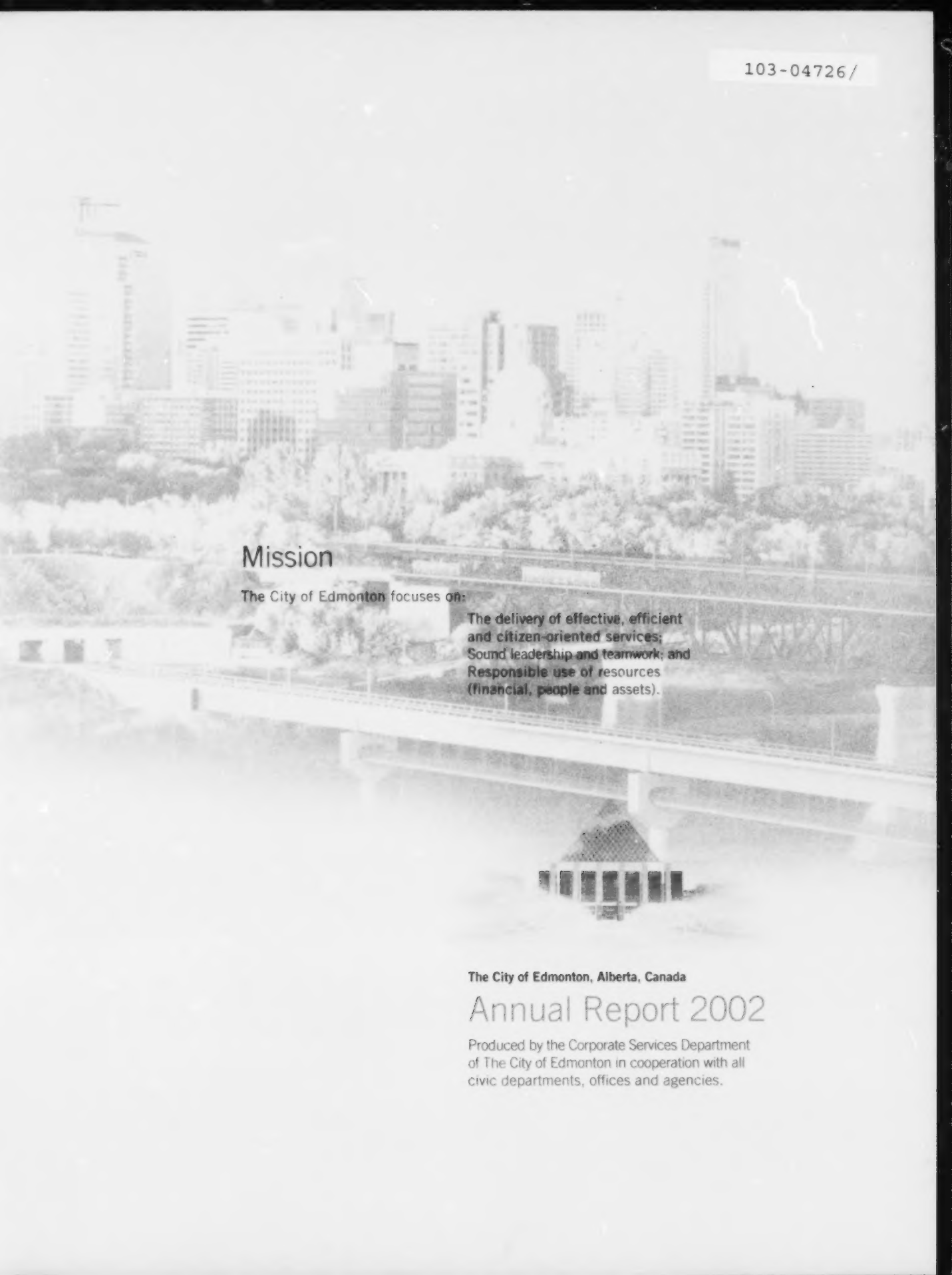
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Mission

The City of Edmonton focuses on:

The delivery of effective, efficient
and citizen-oriented services;
Sound leadership and teamwork; and
Responsible use of resources
(financial, people and assets).

The City of Edmonton, Alberta, Canada

Annual Report 2002

Produced by the Corporate Services Department
of The City of Edmonton in cooperation with all
civic departments, offices and agencies.



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"Edmonton is a city with a sense of possibilities.... It is Fortress North for liberal civility and artistic life, the preserver of the northern connection for southern Canadians."

PETER C. NEWMAN
TITANS, 1998



Edmonton

A SNAPSHOT

Ingenuity thrives in Alberta's capital city, fed by a rich mix of cultures, festivals, learning and natural beauty.

THRIVING | Vibrant in culture and cutting-edge in technology, Greater Edmonton stands sixth in size among Canada's urban centres, the apex of an emerging powerhouse corridor stretching south to Calgary. Ranked among the world's most affordable, this city is enjoying sustained front-running growth as employers and employees alike discover a wealth of opportunities here, coupled with quality of life and municipal services that prompt fully 95 per cent of citizens to say they would recommend Edmonton as a place to live.

INVIGORATING | You're never far from a festival in Edmonton. This richly multicultural population has spawned 20 diverse offerings, including world-class events in theatre, music and visual art. Equally defining is Edmonton's signature river valley, a 25-km ribbon of green winding through the heart of the city that forms part of North America's largest urban park. Citizens nurtured by those opportunities reach out to each other through an unparalleled system of community leagues and by volunteering generously when needs arise.

LINKING | Situated in the centre of the Province of Alberta, Edmonton serves as a hub whose spokes include the Edmonton International Airport, rail lines, resource pipelines and major highways that span the continent. While building global ties, Edmonton is nurturing its historic role as Gateway to the North, a role that is gaining new significance as emerging diamond mines and expanding oilsand interests tap the expertise available here.

PIONEERING | Home to front-running research and development, Edmonton hosts centres of excellence in numerous disciplines, including the next-generation science of nanotechnology. Spurred by dynamic collaborative initiatives and excellent educational institutions, this city is diversifying beyond its natural resource strength into economic clusters ranging from biomedicine to advanced manufacturing. Given those dynamics, the forecasts are already coming true: in a global future that demands ingenuity, Edmonton is sure to rise.





"If there's anyone left in Canada who is unpersuaded of the innovation imperative, then they should come here to Alberta. Throughout this province, in Edmonton, in Calgary and everywhere else in Alberta you are setting the standard for the nation in terms of an innovative economy."

ALLAN ROCK, MINISTER OF INDUSTRY
REGIONAL INNOVATION SUMMIT, SEPTEMBER 2002

POPULATION

- Edmonton: 666,104
- Metropolitan: 954,342

LAND AREA

- Edmonton: 700 square kilometres (70,067 hectares)
- Metropolitan: 9,537 square kilometres

Capital Facts

KEY BUSINESS CLUSTERS

- Advanced Manufacturing
- Agri-Food and Forest Products
- Biomedicine and Biotechnology
- Engineering and Technical Services
- Information and Media Services
- Oil, Gas and Chemicals
- Tourism and Entertainment
- Transportation and Logistics

(Identified by Greater Edmonton Competitiveness Strategy, these eight clusters account for about half of Edmonton's businesses.)

CULTURE

- Winspear Centre for Music, home to Edmonton Symphony Orchestra
- Citadel Theatre, plus a wide range of smaller theatre companies
- Edmonton Art Gallery and numerous smaller galleries
- Edmonton Opera and excellent ensembles and choirs
- Alberta College Conservatory of Music
- Alberta Ballet Company

ATTRACTIONS

- West Edmonton Mall
- Provincial Museum of Alberta
- Odysseum science centre
- John Janzen Nature Centre
- Muttart Conservatory
- Fort Edmonton Park
- John Walter Museum
- NHL Edmonton Oilers, CFL Edmonton Eskimos, Triple A Edmonton Trappers
- Nearby National Parks, including Jasper and Banff
- Edmonton's River Valley offering 7,400 hectares of urban parkland



City Council

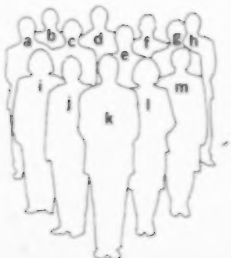
In 2002, Edmonton City Council took significant steps to ensure that the needs of this city continue to be met. Addressing urgent infrastructure funding gaps, Council shifted storm water drainage to a user-pay utility and ended a moratorium on borrowing for tax-supported capital projects. Working with other municipalities, Council actively sought the recognition and financial resources Alberta's urban centres require to maintain a continued competitive advantage.

Based on a close reading of citizen concerns, Council has set the following priorities for 2003:

- **accommodating growth while maintaining older infrastructure;**
- **persuading other orders of government to financially support services in urban areas;**
- **ensuring citizens receive the best value for their tax dollar;**
- **promoting Edmonton.**

"We accept the responsibility of providing leadership to an innovative city at a time when financial resources cannot keep pace with rapid growth. We commit to seeking progressive solutions that keep this capital city at the forefront in affordability and quality of life."

**EDMONTON CITY COUNCIL
2001-2004**



(a) Allan Bolstad, (b) Stephen Mandel, (c) Ron Hayter, (d) Dave Thiele, (e) Larry Langley, (f) Ed Gibbons, (g) Bryan Anderson, (h) Terry Cavanagh, (i) Janice Melnychuk, (j) Michael Phair, (k) Mayor Bill Smith, (l) Jane Batty, (m) Karen Leibowicz



Political and Administrative Structure

CITY COUNCIL | Edmonton is governed by an elected City Council composed of a Mayor and 12 Councillors. Together, they provide leadership and direction to staff, who ensure that citizens have access to the essential services needed in a livable city.

The city is divided into six wards, with each voter able to choose two Councillors as well as the Mayor. Elections are usually held every three years; the next election is set for October 18, 2004.

Typically, Council meets three times a month. Meetings are open to the public.

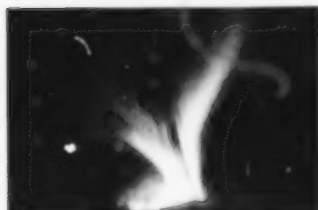
As indicated in the organization chart (see page 9), each Council member serves on several committees. City Council accepts most decisions made by its committees as final. On some issues, however, Council can approve, amend or defeat committee recommendations and take entirely different action.

CITY MANAGER | Appointed by City Council as Chief Administrative Officer, the City Manager implements Council policies and manages day-to-day operations. Under his leadership are six departments, plus the Office of the City Clerk and the Intergovernmental Affairs Office.

OFFICE OF THE CITY AUDITOR | Appointed by and accountable to Council's Executive Committee, the City Auditor provides independent reviews of civic departments and programs through audits and other studies authorized by the committee.

EPCOR UTILITIES INC. | A wholly owned subsidiary corporation, EPCOR owns and operates power plants, electrical transmission and distribution networks; builds and operates water and wastewater treatment facilities and infrastructure; and provides power, water and natural gas to its customer base of 1.9 million. EPCOR is headquartered in Edmonton and has operations throughout Alberta, British Columbia, Ontario and the U.S. Pacific Northwest.

The City is EPCOR's sole common shareholder and City Council appoints the utility's Board of Directors and Chairman. In 2002 EPCOR fulfilled its financial commitments to the City of Edmonton, and paid the City a dividend of \$100.5 million. In addition, the company paid \$39.4 million in business tax, property tax, franchise fees and revenue taxes to the City of Edmonton. Under EPCOR's dividend policy, the dividend to the City of Edmonton in 2003 will be \$110.5 million.





City Manager

Staff at the City of Edmonton responded admirably to the widening gap between our community's needs and available resources, achieving a full \$86 million in workplace savings and non-tax revenue in the past decade alone. The 2003 budget identifies another \$11 million in initiatives, many involving innovative links among departments and with external partners. Those efforts typify the dedication and entrepreneurial spirit that situate Edmonton at the forefront in so many areas, from environmental action to international hosting.

"Satisfaction surveys show that we're providing the services people want. As our population expands, increasingly our challenge is to provide those same services more efficiently. By being inventive and tapping the expertise within our community, we're keeping service levels higher than they might otherwise be in current funding conditions."

AL MAURER
CITY MANAGER



EDMONTON POLICE SERVICE

City Council appoints seven citizens to sit on the Edmonton Police Commission. It oversees the Edmonton Police Service, which takes a community-based approach to its work of enhancing safety and combating crime. Two City Councillors sit on the Commission.

EDMONTON PUBLIC LIBRARY

A 10-member Edmonton Public Library Board, appointed by City Council, manages Edmonton's library services, offered from a main location downtown and 15 branches. One City Councillor sits on the Board.

OTHER BOARDS

Hundreds of citizens play valuable roles as members of commissions, agencies, boards and authorities that provide leadership and advice about vital aspects of our lives. In addition to the boards named above, areas addressed by those bodies include business development, assessment, transportation, housing and historical preservation. Most citizens volunteer their services, evidence of the vibrant volunteerism for which Edmonton is internationally known.

SCHOOL BOARDS

Concurrent with civic elections, voters elect school boards to govern Edmonton's two major elementary and secondary systems: Edmonton Public Schools and Edmonton Catholic Schools. The municipality collects education taxes from property owners on behalf of both the province and Edmonton Catholic Schools.

LEGISLATIVE AND ADMINISTRATIVE ORGANIZATION CHART

ELECTORATE

City Council
Mayor, 12 Councillors

Community Services Committee
Four Councillors

Executive Committee
Mayor & Four Councillors

Transportation & Public Works Committee
Four Councillors

Other Committees
Council has other committees to handle various tasks, eg. Agenda Review and Special Audit Committees

Office of the City Auditor
D. Wiun, City Auditor

EPCOR Utilities Inc.*
D. Lowry, C.E.O.

Police Commission
D. Finlay, Chair

Edmonton Public Library Board
Prof. M. Adria, Chair

Other Commissions, Agencies, Authorities, Boards
Such as Landlord & Tenant Advisory Board, Boxing & Wrestling Commission and Economic Development Edmonton

City of Edmonton Administration

City Manager
A. Maurer

Intergovernmental Affairs
B. Duncan, Manager

Office of the City Clerk
D. Edey, City Clerk

Asset Management & Public Works
B. Burn, General Manager

Emergency Response
D. Kloster, General Manager

Community Services
J. Tushan, General Manager

Planning & Development
L. Benowski, General Manager

Corporate Services
R. Garvey, General Manager

Transportation & Streets
R. Millican, General Manager

* EPCOR Utilities Inc. is a wholly owned subsidiary of the City of Edmonton



"Your citizens, the Grey Cup 2002 organizing committee and countless volunteers did the City of Edmonton, the Province of Alberta and indeed all of Canada proud in the professional manner you hosted the 90th championship celebration of our country's great game.

TOM E.S. WRIGHT, COMMISSIONER
CANADIAN FOOTBALL LEAGUE



Hosting Highlights

Edmonton is known worldwide as a sterling host, able to mount events with skill and an innovative twist, then warmly welcome all who come. Beyond finely tuned organizing committees and legions of volunteers, major events thrive on municipal expertise and civic support services.

GREY CUP | Touted as the most successful ever, the 2002 Grey Cup hosted by Edmonton in November contributed an estimated \$22 million to the local economy while providing a valuable template for future hosts. In addition to mounting festivities and displays that attracted more than 25,000 fans to City Hall over five days, civic support ranged from traffic and crowd control to use of Commonwealth Stadium for the main event pitting Edmonton's Eskimos against the Montreal Alouettes for a 16-25 hometown heartbreaker.

WORLD CHAMPIONSHIP SOCCER | Stellar young soccer players dazzled Edmonton while vying for the FIFA U-19 Women's World Championship at Commonwealth Stadium August 17 to September 1. Players in the 26 matches leading up to Germany's first-place finish, in turn, were dazzled by strong attendance at the inaugural event, now to be held every two years in various locations.

HONOURING SOLDIERS | Two civic ceremonies enabled Edmontonians to stand together and recognize those serving Canada through the Edmonton Garrison: an April 28 memorial service at Skyreach Centre honouring four soldiers tragically killed by errant fire in Afghanistan, and an August 9 Welcome Home parade to celebrate the troops who returned home safely.

FESTIVAL CITY | With 20 annual events running the gamut from music to sports, indoors and out, festivals define Edmonton. Many rely on the City's festival liaison office for advice and service links. Those festivals, in turn, are part of an arts and culture community that boosts the local economy by about \$82.5 million a year, while contributing immeasurably to quality of life. Blockbusters such as the Fringe Theatre Festival and the Folk Music Festival also boost Edmonton's image and spark year-round spin-offs.





"The outlook for Edmonton is a very positive story. We're expecting very good performance next year, following on a steady run of frankly top-level growth rates."

**DR. JIM FRANK, VICE-PRESIDENT & CHIEF ECONOMIST
CONFERENCE BOARD OF CANADA**



Economic Climate

Greater Edmonton continued on what Conference Board of Canada Chief Economist Dr. Jim Frank called a "high-growth trajectory" in 2002, fueled by high employment and remarkable growth in disposable income. While positive, that reality further stretched municipal resources due to the inevitable lag between providing the infrastructure and services required by growth and collecting the tax revenues that result.

ROBUST MEASURES | Greater Edmonton posted an amazing 12,582 housing starts in 2002, second highest in 30 years, behind only the 17,065 starts recorded amid the oilsands fever of 1978. Within city limits, housing starts stood at 8,821, up a dramatic 83 per cent from robust 2001. Housing prices have risen 12.6 per cent from 2001, yet remain competitive among urban centres.

The total value of all goods and services produced in the region (GDP) grew an estimated 3.5 per cent, almost double the 2.0 per cent forecast for the province as a whole. Retail sales grew to \$12 billion, an 8.1 per cent increase that stands behind only Quebec City and Regina.

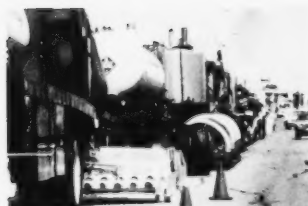
Employment in the Edmonton region grew by nearly 14,208 net jobs, to average 519,391. Annual average unemployment in Edmonton was 5.1 per cent, substantially below Canada at 7.7 per cent but up marginally from 4.9 per cent in 2001.

Those positives attracted net in-migration of 11,000 to Edmonton, part of a trend that has seen Alberta net 120,000 newcomers in the past five years, twice the number posted by second-place Ontario. Neighbouring provinces, meanwhile, lost population.

CONTINUED OPTIMISM | Edmonton anticipates equal or better performance in 2003, with GDP forecast to grow at 3.8 per cent, third fastest in the country behind Calgary's 4.9 per cent and Saskatoon's 4.0 per cent.

New and ongoing northern Alberta projects valued at \$2 million or greater stood at \$65 billion dollars, up 28.7 per cent from the previous year. Many of those projects rely on Edmonton for services, boosting the city's economy.

Reflecting confidence earned through skilled management, expanding economic diversity and low municipal taxes, Edmonton is rated AA (Positive) by Standard & Poors and AA (High) by Dominion Bond Rating Service Ltd.





Edmonton's new Smokehouse Training Tower, unparalleled in North America, represents the future for fire rescue training. Open for use by all Alberta fire crews, its unique design simulates four building types, posing all-too-realistic challenges and obstacles.



Excellence at Work

YEAR 2002 HIGHLIGHTS

Ingenuity proved a required commodity in 2002, as Edmonton continued to grow while civic coffers, already constrained by a narrow array of funding sources, felt the impact of global contraction in investment returns.

FISCAL PRUDENCE | Between 1993 and 2002, staff identified a full \$86 million in ongoing savings and non-tax revenue gains, helping to offset inflation and fund public demands for expanded and improved City services.

Strategic sourcing and bulk purchase of commonly used items ranging from auto body parts to office chairs will save \$2 million in the coming decade, part of a larger initiative aimed at cutting costs through cross-departmental collaboration.

SLEEP SERVICE | The City's award-winning Geographic Base Information System (GBIS) marked 25 years of leadership in digital mapmaking by inviting expanded use and testing a student learning module.

Parking tickets are now payable online while bylaw tickets, pet licence renewals and property tax bills can be paid at any registry agent. Applying for mechanical and electrical permits from the City's Planning & Development Department also became simpler, thanks to an award-winning online process co-developed by Edmonton and Calgary.

ENVIRONMENTAL LEADERSHIP | Already leading the nation, Edmonton's recycling program expanded to multi-family residences while single family participation rose to 84 per cent.

Setting the stage for strategic environmental action, the City hired its first conservation coordinator to help protect special natural areas and partnered with some 20 local stakeholders on a plan aimed at reducing greenhouse gas emissions 20 per cent below 1990 levels by 2020.

Steps forward in Edmonton's sophisticated wastewater treatment methodology include the first of five Real Time Control systems for temporarily holding untreated sewage in the pipes during heavy storms, to avoid overflow into the river.

COMMUNITY CAPACITY | Open Doors for Kids, an initiative with 35 partners and sponsors, earned a Smart City Quality of Life Award for involving children and youth facing economic barriers in life-enhancing recreation and social networks.

The entire LRT fleet is now equipped with accessible ramps, a \$1.1 million project with the cost cut in half by using in-house resources.





As Light Rail Transit celebrates 25 years in Edmonton, work begins on pushing the line south from the underground University Station to an above-ground platform at the University of Alberta Hospital, and eventually to 61 Street. Coupled with other initiatives, the south leg is expected to double LRT ridership, now at 36,000 a day.



Future Focus

INCUBATING CREATIVITY



The evidence is clear that Edmonton will continue to foster the innovation required to coax top value out of every available resource. As such, this city is fully in tune with a federal Innovation Initiative that is trumpeting the need for urban centres to lead the way in fostering creativity.

FARSIGHTED STRATEGIES | In a significant attempt to address long term sustainability concerns, Edmonton, Calgary and municipal associations are meeting with provincial leaders in a Minister's Council aimed at clarifying and, where necessary, redefining service delivery roles and responsibilities. Ideally, all parties will sign a Working Relationship Agreement detailing a common vision and principles as well as a new framework for funding.

City Council's 2003 budget maintains existing services while providing enhancements in citizen priority areas of police, fire and ambulance. Funding is provided by increases in certain user fees and a 4.9 per cent tax increase, including one per cent to cover debt-servicing costs on up to \$50 million in funds borrowed for priority tax-supported capital projects.

The Office of the Infrastructure is fine-tuning the tools needed to invest limited capital resources precisely where needed. That work builds on a 2002 study warning that the City's \$83 million infrastructure funding gap could reach \$3.2 billion in the next decade.

Effective January 2003, land drainage shifted from a tax-supported service to a utility, one strategy to address the infrastructure funding gap while collecting revenues from customers who benefit most.

BUILDING EDMONTON | A major expansion of the Shaw Conference Centre, set for completion in 2006, will accommodate groups too large for the centre's current configuration by adding an expansive Hall D, cantilevered over the river valley with panoramic views.

City Council approval in hand, West Edmonton Mall is embarking on a \$145 million expansion that will transform the mall into a mixed-use complex incorporating offices and apartments.

EDMONTON 2004 | Bold, exciting celebrations are being planned as Edmonton anticipates its hundredth birthday in 2004. A volunteer committee at work since 1999 (www.edmonton2004.com) is inviting full community involvement in saluting everything this city has accomplished. Key initiatives include a print and digital history project, the redesign of Sir Winston Churchill Square in front of City Hall and a major festival on October 8, 2004.

WORLD MASTERS GAMES | A dynamic delegation traveled to the World Masters Games in Melbourne, Australia in 2002 to officially invite all 20,000 amateur athletes and friends to Edmonton in 2005, when it's our turn to host. Potentially the largest multi-sport competition in the world, these games feature athletes 25 years and older in as many as 27 sports. The event is certain to add another gem in Edmonton's hosting crown.



Chief Financial Officer

Looking ahead, the forecast for economic growth within the Edmonton region continues to be strong, challenging the City to maintain existing services as well as to address the service and infrastructure needs associated with growth.

RANDELL W. GARVEY
CHIEF FINANCIAL OFFICER

"Although the City enjoys a solid financial profile, it will continue to face challenges over the long-term due to ongoing population growth and a lack of revenue sources strongly correlated with economic activity. The City must also manage volatility in its revenues due to heavy reliance on investment portfolio earnings."

DOMINION BOND RATING SERVICE
JANUARY 2003



Report From the Chief Financial Officer

The annual report contains the audited financial statements as required under the Municipal Government Act. In addition, it serves as an opportunity to communicate with taxpayers and other members of the public regarding the City's financial performance and significant financial events in 2002.

As well, this report explains the City's major financial policies, provides an assessment of the City's general financial condition, and includes explanations of noteworthy items recorded in the accompanying financial statements.

2002 FINANCIAL HIGHLIGHTS | The 2002 financial statements of the City of Edmonton have been completed on a fund basis and are comprised of an operating fund, a capital fund, and a reserve fund. The results of the three funds have then been consolidated to report the overall financial position and financial activities of the City.

OPERATING FUND | The 2002 consolidated operating fund net revenues were \$292.1 million and after providing for certain budgeted fund transfers and debt repayments, the consolidated operating fund balance increased by \$104.5 million to \$2,032.5 million.

A buoyant local economy with abundant development and construction activity led to increased revenues in many of the operating areas such as development compliance, roadways and transit. However, despite the positive growth, tax-supported operations incurred an overall deficit for 2002 of \$12.9 million prior to transfers and debt repayment. This resulted primarily from a \$40.2 million shortfall in the dividend of investment earnings from the Ed Tel Endowment Fund. A number of strategies were implemented during the year to mitigate the shortfall, including \$5 million in operating expenditure reduction and deferral, the application of \$5 million in surplus from 2001, and a \$7.9 million transfer from the Financial Stabilization Reserve.

The Ed Tel Endowment Fund, established in 1995 with the proceeds of the sale of the telephone utility, was negatively impacted by continuing weak investment markets in 2002. The fund had net earnings of \$14.2 million. The governing bylaws require that the Fund value increase by the amount of inflation prior to any dividend allocation. Given that requirement, none of the \$42.1 million budgeted as an appropriation to general government operations was able to be withdrawn. The net asset book value at December 31, 2002 is \$592.1 million, while the market value is estimated to be \$560.9 million. The excess book value over market value arose mid-year. Markets continue to be volatile. The decline is considered to be of a temporary nature and valuation adjustments have not been applied. Conditions will continue to be monitored throughout 2003.



Earnings in the City of Edmonton Sinking Fund, established to meet future obligations to the purchasers of certain City of Edmonton debentures, exceeded required earnings by \$23.3 million. Under an agreement entered into January 1, 1996, excess earnings within the Sinking Fund are shared between the City and EPCOR Utilities Inc. The fund's remaining excess earnings at December 31, 2002, attributable to the City, are \$30.7 million, of which \$17.6 million has been appropriated to fund capital expenditures and to be transferred to the Financial Stabilization Reserve. An amount of \$489 million has been accumulated for future debt retirement. Overall market values of investments exceed book values as at December 31, 2002.

Capital Expenditures

Excluding EPCOR
Utilities Inc.
(millions of \$)



EPCOR Utilities Inc. contributed \$184.4 million in current year earnings, significantly less than the budgeted earnings of \$250.9 million as a number of challenges were faced. Dividends of \$100.5 million and franchise fees of \$30.3 million were transferred to support general government tax-supported operations.

Other operations within the consolidated entity, including the Sanitary Utility, land operations, mobile equipment operations, Edmonton Public Library and Economic Development Edmonton, earned \$68.3 million, prior to transfers and debt repayment of \$60.1 million.

CAPITAL FUND | \$272.6 million was expended on capital during 2002, excluding expenditures incurred within EPCOR Utilities Inc. Capital expenditures for tax-supported operations amounted to \$190.6 million, which were financed on a pay-as-you-go basis including an allocation from operating revenues, government transfers, developer and surcharge contributions and transfers from reserves. The fund balance of \$94.7 million, increased from the prior year by an amount of \$23.4 million, is committed to capital projects approved by City Council in or prior to 2002.

RESERVE FUND | The City maintains reserves designated for specific purposes as approved by City Council or the Boards of municipal entities. During 2002 a review of reserves was completed, resulting in consolidation of certain reserves within the overall Financial Stabilization Reserve. As at December 31, 2002 an amount of \$101.9 million has been appropriated for future operating or capital purposes, a decrease of \$3.7 million over the level of the prior year.

Of the overall reserve fund, an amount of \$47.7 million is held within the Financial Stabilization Reserve, established in 1997, to protect the City against unforeseen operating costs and ensure the orderly provision of services to citizens.

2003 BUDGET | City Council approved the 2003 Operating and Capital Budgets in December 2002. The budgets allow for existing services to be maintained, while providing enhancements in citizen priority areas of police, fire and ambulance. Additional funding is provided by a 4.9 per cent increase in the municipal property and business tax revenues, including one per cent to cover the future cost of servicing \$50 million in borrowing for priority tax-supported capital projects, including a new police station and an interchange along the Whitemud Drive.



REPORT FROM THE CHIEF FINANCIAL OFFICER



The City of Edmonton has followed an exclusively pay-as-you-go approach to financing tax-supported capital expenditures for many years. However significant pressures of growth and an increasing backlog of infrastructure rehabilitation requirements has led to the need to consider alternate strategies. City Council approved changes to the Debt Management Fiscal Policy and endorsed an overall plan to borrow up to \$250 million over the next five years.

The budget includes selected increases in user fees for various municipal services. Sanitary Utility rates have not been increased for 2003. City Council approved a one-time dividend of \$2.8 million from the Sanitary Utility to be applied to fund initiatives in 2003.

As one aspect of an overall Closing the Gap initiative, the 2003 Budget identified a further \$11 million in annual savings and revenue initiatives, which have resulted in dollars being reallocated to address service needs and minimize tax increases. This is in addition to \$86 million in similar initiatives that the City has implemented over the past ten years.

RECOGNITION | Once again the City of Edmonton has been recognized with a number of awards in the financial area, attesting to the ongoing drive for quality and achievement.

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a **Canadian Award for Financial Reporting** to the City of Edmonton for its annual financial report for the fiscal year ended December 31, 2001. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. This is the ninth consecutive year that the City of Edmonton has received this award. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting it to the GFOA for consideration.

The City of Edmonton also received the **2002 Distinguished Budget Presentation Award** from the Government Finance Officer's Association of the United States and Canada. This is the fifth straight year Edmonton has received this award. The award represents a significant achievement and reflects the commitment of City Council and administration to meeting the highest principles of governmental budgeting. Edmonton has satisfied nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well the budget serves as a policy document, a financial document, an operations guide, and a communication device.



For the third consecutive year, an **Achievement of Excellence in Procurement Award** was presented to the City of Edmonton from the National Purchasing Institute. This prestigious international award recognizes excellence in public procurement, measuring innovation, professionalism, productivity, and leadership attributes of public sector organizations.

CONCLUSION | Operating and capital funding gaps continue to exist as identified in the long range financial plans reviewed with City Council. A number of strategies have been developed, to continue to address these issues. As one example, Land Drainage adopts a utility status in 2003, to implement more stable funding for necessary system upgrades and maintenance, and to more fairly charge users.

The overall Closing the Gap strategies recognize the need for a more equitable relationship with the Provincial government, as well as the need to continue reviewing programs and services and to identify internal efficiencies and opportunities. These efforts are ongoing.

Updates from the credit rating agencies confirmed and improved the City's ratings, acknowledging the low tax-supported debt, solid financial position, and sound financial management. The ratings are as follows: Dominion Bond Rating Services AA (high) and Standard & Poors AA (positive).

Looking ahead, the forecast for economic growth within the Edmonton region continues to be strong, challenging the City to maintain existing services as well as to address the service and infrastructure needs associated with growth.

Randell W. Garvey, B. Admin., CFA, CMA
Chief Financial Officer
March 28, 2003

Canadian Award for Financial Reporting

Presented to
**The City of Edmonton,
Alberta**

For its Annual
Financial Report
for the Year Ended
December 31, 2001

A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to municipalities whose annual financial reports achieve the high program standards for Canadian Government accounting and financial reporting.



President

Executive Director



Financial Management and Control



BUDGET PROCESS | In 2002, the fourth City of Edmonton Corporate Business Plan was adopted, setting out goals, key strategies, and specific corporate-wide initiatives for implementation during the period 2003-2005. The Long Range Financial Plan was updated and approved by City Council for the 2003-2012 period. In addition, three-year departmental business plans were prepared in conjunction with the preparation of the 2003 budget. These planning initiatives enabled the operating and capital budgets to be prepared based on a multi-year business planning perspective.

Edmonton's **operating budget** lays out the revenues and expenditures planned for the following year to deliver city services, using a program-based approach with a focus on service delivery.

Edmonton's **capital priorities plan and budget** is a five-year plan identifying proposed capital project expenditures and their sources of financing. Proposed capital projects are assigned priorities based on a detailed set of criteria approved by City Council. Those projects that fall within the Corporation's financial resources are recommended. Projects with a lower priority are deferred, and may be considered in future budgets.

City Council values public consultation very highly during the development and review of the annual budgets. For the 2003 Budget, public input was provided through focus group sessions of citizens. City staff and Council members went out to shopping malls and libraries around Edmonton to answer questions, provide information and receive feedback on the recommended budget. In addition, City Council held a public forum prior to their deliberations with respect to the recommended budget.

ACCOUNTING PROCESS | The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. The City utilizes a shared service model for finance and accounting services. Under this model all business areas share a common accounting and reporting system, and financial and accounting services are administered under the direction of the Chief Financial Officer and delivered to each business area based on their needs.

AUDITING PROCESS | The Municipal Government Act requires Municipal councils to appoint an auditor. In 1999, Edmonton City Council appointed the firm of KPMG LLP, Chartered Accountants, as external auditor for a five-year term. The auditor must report to City Council on the annual consolidated financial statements and the Municipal Information Return of the municipality. An Audit Committee has been established as a Committee of Council. The Act requires municipal financial statements to be prepared in accordance with generally accepted accounting principles for local governments, as recommended by the Canadian Institute of Chartered Accountants.



The City also has a City Auditor. The Office of the City Auditor is independent of the City Administration and reports directly to City Council through Executive Committee. The Office is empowered by Bylaw 12424, City Auditor. This bylaw establishes the position of City Auditor and delegates powers, duties, and functions to this position. The City Auditor has two roles:

- Agent of Change Role – to conduct proactive and forward looking projects based on the provision of strategic, risk and control related consulting services to better serve the changing needs of the corporation and bring about improvement in program performance; and
- Guardian Role – to conduct projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy and controls.

FINANCIAL POLICIES | A number of significant financial policies, adopted by City Council, provide direction for making operating and capital decisions.

Property Tax Policy

In 1998, City Council adopted the recommendations of the Edmonton Property Tax Committee in formally establishing a policy on property tax. Under the recommendations, beginning in 2000, the municipal property tax share for residential / multi-residential taxpayers is limited to no more than 59 per cent of the total and no less than 54 per cent. The mill rate differential between non-residential and residential municipal property taxpayers must be no more than 2.2 to 1 and no less than 1.5 to 1.

Debt Management Policy

The Debt Management Fiscal Policy provides guidelines for debt and pay-as-you-go funding for tax-supported, utility, other self-supporting, and local improvement capital expenditures. In late 2002, City Council approved revisions to the Policy to allow limited borrowing for tax-supported capital projects that meet specific criteria. This change is one strategy to address the increasing growth and rehabilitation demands the City is experiencing.

Previous to the recent change, the City followed exclusively a pay-as-you-go approach for funding tax-supported capital expenditures for many years. No new tax-supported borrowings had been made since 1990. As the debt principal decreased and the related annual debt repayment declined over the years, property tax previously set aside for debt repayment was made available to fund capital works. Pay-as-you-go financing has grown from \$7 million in 1983 to approximately \$93 million in 2002.



FINANCIAL MANAGEMENT AND CONTROL

Utility Fiscal Policies

City Council's utility fiscal policies govern the financial relationship between the City's General Fund and each of the municipally owned or operated utilities. These policies require each utility to charge sufficient rates to recover all operating costs, repay capital debt and earn a return, or profit, on the City's equity investment. The policies also require each utility to pay the City a franchise fee on utility revenue and to pay the City a portion of annual utility profits (except for the sewer utility) as a dividend. The dividend policy for EPCOR, the wholly owned electrical and water company, is established based on a percentage of budgeted earnings. A review of the Utility Fiscal Policy regarding the expanded Drainage utility is planned for 2003.

Investment Policy

City Council approved an investment policy to ensure that funds that would otherwise remain idle in the bank are put to their best use through investments. These investments are made for the benefit of the citizens of Edmonton or, where they are pension or trust funds, for the benefit of designated beneficiaries.

The Investment Policy establishes objectives to preserve the original principal and to maximize investment returns within an acceptable level of risk. All investments must comply with the City of Edmonton's Investment Policy and the Municipal Government Act of Alberta.

The Investment Committee, appointed by the Chief Financial Officer, has responsibility for the prudent investment of the funds under its control. The Investment Committee oversees the activities of all investment managers, monitors their performance in relation to their established benchmarks, and reports to City Council at least once a year.

Reserve and Operating Equity Accounts

The Reserve and Operating Equity Accounts Policy was approved by City Council in 2002, replacing the previous Reserves and Surplus Policy and incorporating the former Financial Stabilization Reserve Policy.

The Financial Stabilization Reserve was established in 1997 to protect the City in the case of unforeseen operating costs, to maintain stable taxes and other revenue sources, and to ensure the orderly provision of services to residents. A target balance of 7 per cent of general government operating expenditures has been established for the Reserve. Under the new policy, any annual general government operating surplus is to be placed in the Reserve. Any balance in excess of the target level will be applied evenly to the three subsequent years' operating budgets.



Financial Synopsis

**Operating Fund — Source and Distribution of Income Dollar
2002 Results
(in thousands of dollars)**

480,000
450,000
420,000
390,000
360,000
330,000
300,000
270,000
240,000
210,000
180,000
150,000
120,000
90,000
60,000
30,000

A B C D E F G H

SOURCE OF INCOME DOLLAR

a Taxation	\$ 472,093	40.93%
b Sale of goods and services	313,603	27.19%
c Subsidiary operations	190,501	16.52%
d Investment earnings	50,109	4.34%
e Franchise fees	44,094	3.82%
f Fines and penalties	31,288	2.71%
g Government transfers	27,139	2.35%
h Licences, permits, and other	24,645	2.14%
	\$ 1,153,472	100.00%

270,000
240,000
210,000
180,000
150,000
120,000
90,000
60,000
30,000

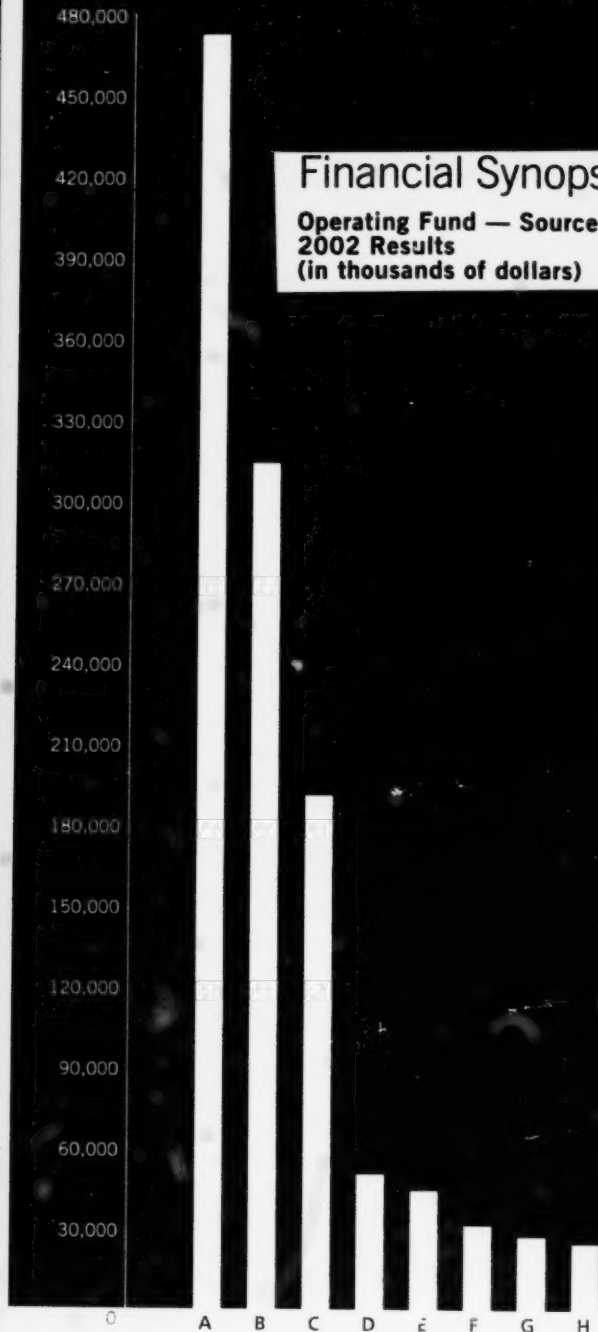
A B C D E F G H I J

DISTRIBUTION OF INCOME DOLLAR

a Protective services	\$ 262,583	22.76%
b Transportation services	198,462	17.21%
c Community services	166,478	14.43%
d Net transfers to capital fund and from reserve fund	130,326	11.30%
e Increase in operating fund balance	104,457	9.06%
f Corporate administration, general municipal, and pension and benefit adjustment	94,269	8.17%
g Utility and enterprise services	70,753	6.13%
h Waste management and storm sewer	60,780	5.27%
i Debt repayment	57,272	4.97%
j Tax appeals and allowances	8,092	0.70%
	\$1,153,472	100.00%

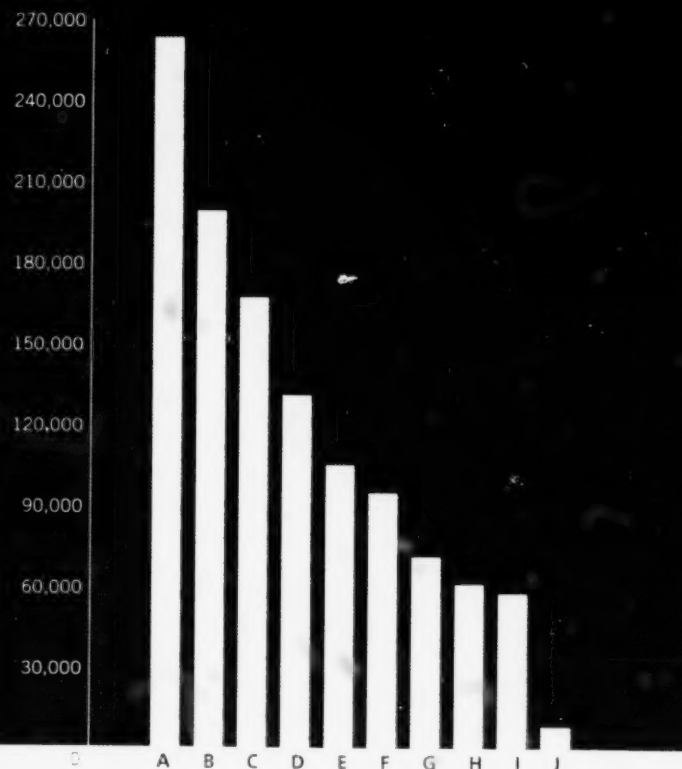
Financial Synopsis

**Operating Fund — Source and Distribution of Income Dollar
2002 Results**
(in thousands of dollars)



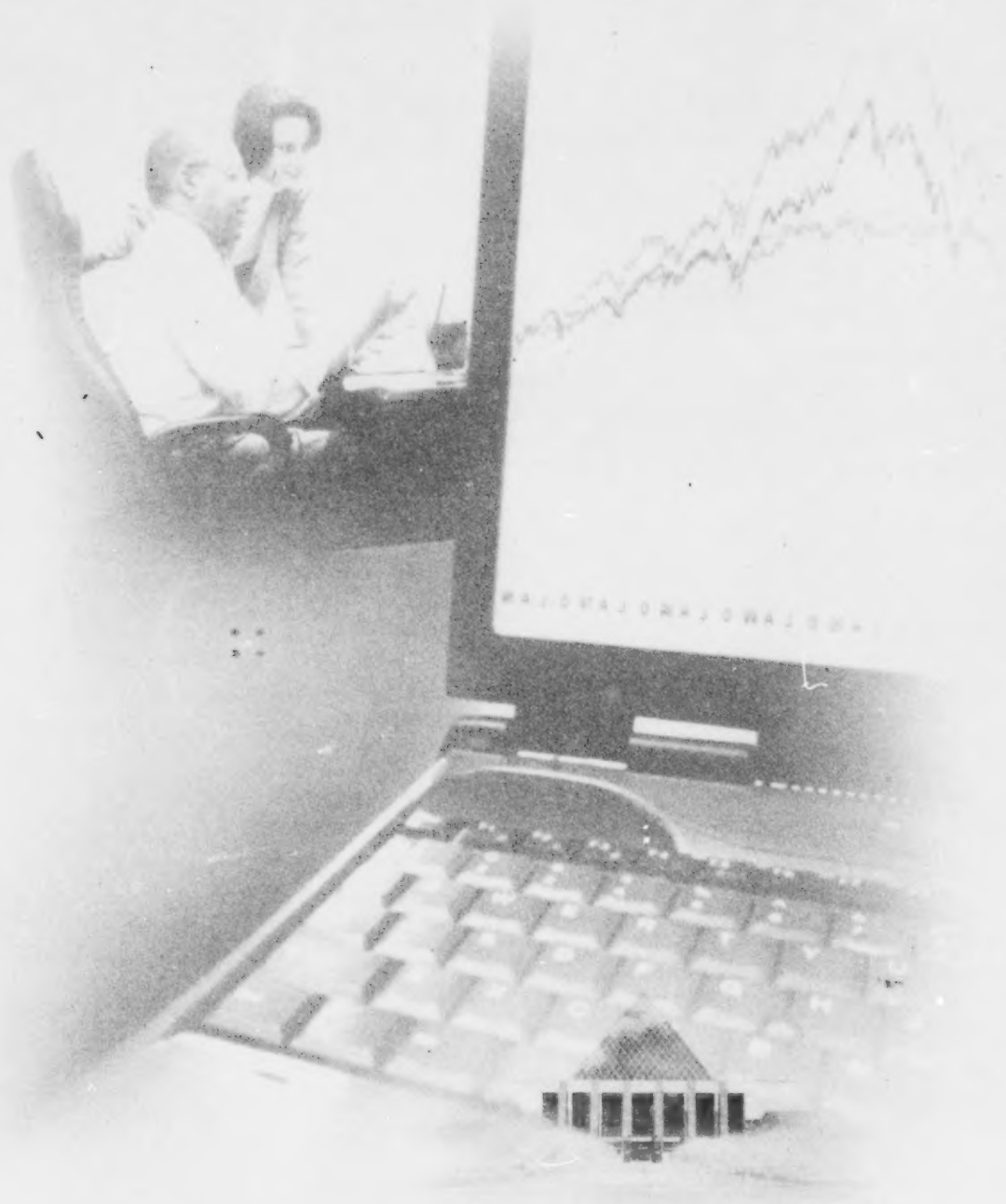
SOURCE OF INCOME DOLLAR

a	Taxation	\$	472,093	40.93%
b	Sale of goods and services		313,603	27.19%
c	Subsidiary operations		190,501	16.52%
d	Investment earnings		50,109	4.34%
e	Franchise fees		44,094	3.82%
f	Fines and penalties		31,288	2.71%
g	Government transfers		27,139	2.35%
h	Licences, permits, and other		24,645	2.14%
	Total	\$	1,153,472	100.00%



DISTRIBUTION OF INCOME DOLLAR

a	Protective services	\$	262,583	22.76%
b	Transportation services		198,462	17.21%
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d	Net transfers to capital fund and from reserve fund		130,326	11.30%
e	Increase in operating fund balance		104,457	9.06%
f	Corporate administration, general municipal, and pension and benefit adjustment		94,269	8.17%
g	Utility and enterprise services		70,753	6.13%
h	Waste management and storm sewer		60,780	5.27%
i	Debt repayment		57,272	4.97%
j	Tax appeals and allowances		8,092	0.70%
	Total	\$	1,153,472	100.00%



The City of Edmonton, Alberta, Canada

Financial Information 2002



ROLAND LX-800

The LX-800 is a powerful desktop calculator with a wide range of features. It includes a large LCD display for easy viewing of results and a comprehensive keypad with numerous function keys. The calculator is designed for accuracy and efficiency in business calculations.

Key features include:

- Large LCD display
- Comprehensive keypad with function keys
- Accurate and efficient calculations
- Designed for business use

For more information, please contact your local Roland distributor.



The City of Edmonton, Alberta, Canada

Financial Information 2002

Management's Report

The management of The City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants. The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the financial statements.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls, as well as an internal audit function. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, in order that the integrity of financial records is maintained.

The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.



Al Maurer, P.Eng.
City Manager



Randell W. Garvey, B. Admin., CFA, CMA
Chief Financial Officer

March 28, 2003

Auditors' Report

To His Worship the Mayor and Members of Council
The City of Edmonton

We have audited the consolidated statement of financial position of The City of Edmonton as at December 31, 2002 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The City of Edmonton as at December 31, 2002 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants.

KPMG LLP

Chartered Accountants
Edmonton, Canada

March 28, 2003

Consolidated Statement of Financial PositionDECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

	2002	2001 (Note 21)
Financial Assets		
Cash and short-term investments (Note 2)	\$ 93,826	\$ 118,693
Taxes receivable	22,829	21,797
Accounts receivable	56,009	54,596
Prepaid expenses and deferred charges (Note 17)	44,900	26,144
Land for resale	42,274	42,525
Long-term investments (Note 3)	1,030,829	1,034,542
Investment in subsidiaries (Note 16)	1,302,722	1,212,721
Total Financial Assets	2,593,389	2,511,018
Physical Assets (Note 4)	926,776	900,774
Total Assets	3,520,165	3,411,792
Liabilities		
Accounts payable and accrued liabilities (Note 5)	167,740	187,030
Deposits	6,863	5,584
Deferred revenue (Note 6)	133,991	155,768
Employee benefit obligations (Note 7)	55,692	57,672
Long-term debt (Note 8)	377,021	411,293
Total Liabilities	741,307	817,347
Municipal Position		
Capital fund (Schedule 2)	94,720	71,289
Equity in physical assets	549,755	489,481
	644,475	560,770
Reserve fund (Schedule 3)	101,909	105,658
Operating fund (Schedule 1)	2,032,474	1,928,017
Total Municipal Position	2,778,858	2,594,445
Total Liabilities and Municipal Position	\$ 3,520,165	\$ 3,411,792

Commitments and contingent liabilities (Notes 18 and 19)

See accompanying notes to consolidated financial statements.

Approved by:


Al Maurer, P.Eng.
City Manager

Randall W. Garvey, B. Admin., CFA, CMA
Chief Financial Officer

Consolidated Statement of Financial ActivitiesFOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

	2002	Budget	2001 (Note 21)
Revenues			
Net taxes available for municipal purposes (Note 12)	\$ 472,093	\$ 470,260	\$ 455,387
User fees and sale of goods and services	314,010	278,506	289,520
Subsidiary operations (Note 16)	190,501	250,968	383,173
Investment earnings	50,109	73,075	75,881
Franchise fees	44,094	47,382	44,116
Government transfers (Note 13)	105,245	127,810	109,312
Developer and customer contributions	61,064	55,679	73,134
Fines and penalties	31,288	32,777	31,807
Licenses and permits	24,018	16,670	17,385
	1,292,422	1,353,127	1,479,715
Expenditures (Note 15)			
Protective services:			
Police and bylaw enforcement	169,847	167,308	155,860
Emergency response	102,143	109,544	97,933
	271,990	276,852	253,793
Transportation services:			
Bus and light rail transit	148,762	164,328	141,177
Roadway and parking	173,379	210,193	180,719
	322,141	374,521	321,896
Community services:			
Parks and recreation	87,928	115,297	108,944
Community and family	13,908	13,950	12,361
Edmonton Public Library	27,423	27,251	23,306
Planning	20,524	16,733	14,119
Convention and tourism	19,473	14,601	17,325
Public housing	5,083	5,745	5,623
Grants	9,430	9,982	9,972
	183,769	203,559	191,650
Utility and enterprise services:			
Sanitary	86,199	111,028	98,030
Land	18,543	15,736	15,905
Mobile equipment	47,988	72,854	45,713
	152,730	199,618	159,648
Waste management and storm sewer	86,913	94,026	171,242
Corporate administration	84,321	90,040	82,992
General municipal	43,018	42,637	50,666
Tax appeals and allowances	8,092	10,212	20,823
Pension and benefit adjustment (Note 17)	(18,963)		(20,892)
	1,134,011	1,291,465	1,231,818
Excess of revenues over expenditures	158,411	61,662	247,897
Debenture borrowings	23,000	49,304	147,300
Debt repayment	(57,272)	(51,444)	(52,323)
Change in fund balances	\$ 124,139	\$ 59,522	\$ 342,874

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

	2002	2001 (Note 21)
Cash provided by (used in):		
Operating Activities		
Excess of revenues over expenditures	\$ 158,411	\$ 247,897
Deduct item not affecting cash:		
Subsidiary operations	(190,501)	(383,173)
Change in non-cash items:		
Taxes receivable	(1,032)	5,379
Accounts receivable	(1,413)	(10,068)
Prepaid expenses and deferred charges	(18,756)	(20,071)
Land for resale	251	8,774
Accounts payable and accrued liabilities	(19,290)	18,709
Deposits	1,279	499
Deferred revenue	(21,777)	(42,121)
Employee benefit obligations	(1,980)	(1,412)
Cash from operations	(94,808)	(175,587)
Investing Activities		
Net long-term investments	3,713	2,026
Dividend from subsidiary	100,500	90,500
Cash from investing	104,213	92,526
Financing Activities		
Debtenture borrowings	23,000	147,300
Repayment of long-term debt	(57,272)	(52,323)
Cash from financing	(34,272)	94,977
Increase (decrease) in cash position	(24,867)	11,916
Cash, beginning of year	118,693	106,777
Cash, end of year	\$ 93,826	\$ 118,693

Cash is represented by cash and short-term investments.

See accompanying notes to consolidated financial statements.

Schedule 1 - Operating FundFOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

	2002	Budget	2001 (Note 21)
Revenues			
Net taxes available for municipal purposes (Note 12)	\$ 472,093	\$ 470,260	\$ 455,387
User fees and sale of goods and services	313,603	278,506	289,419
Subsidiary operations (Note 16)	190,501	250,968	383,173
Investment earnings	50,109	73,075	75,881
Franchise fees	44,094	47,382	44,116
Government transfers (Note 13)	27,139	24,619	24,834
Developer and customer contributions	627		286
Fines and penalties	31,288	32,777	31,807
Licences and permits	24,018	16,670	17,385
	1,153,472	1,194,257	1,322,288
Expenditures			
Protective services:			
Police and bylaw enforcement	160,806	157,911	149,118
Emergency response	101,777	108,219	96,667
	262,583	266,130	245,785
Transportation services:			
Bus and light rail transit	128,623	131,627	119,670
Roadway and parking	69,839	71,715	65,627
	198,462	203,342	185,297
Community services:			
Parks and recreation	76,025	76,289	70,786
Community and family	13,908	13,950	12,361
Edmonton Public Library	24,811	23,649	22,967
Planning	18,185	12,288	11,805
Convention and tourism	19,036	14,286	16,718
Public housing	5,083	5,745	5,623
Grants	9,430	9,982	9,972
	166,478	156,189	150,232
Utility and enterprise services:			
Sanitary	44,288	51,903	41,416
Land	18,543	15,736	15,905
Mobile equipment	7,922	5,851	7,293
	70,753	73,490	64,614
Waste management and storm sewer	60,780	57,595	49,601
Corporate administration	70,214	76,314	70,265
General municipal	43,018	42,637	50,666
Tax appeals and allowances	8,092	10,212	20,823
Pension and benefit adjustment (Note 17)	(18,963)		(20,892)
	861,417	885,909	816,391
Excess of revenues over expenditures	292,055	308,348	505,897
Net interfund transfers			
To capital fund	(130,618)	(148,211)	(137,880)
From (to) reserve fund	292	6,752	(11,709)
Debt repayment	(57,272)	(51,444)	(52,323)
Change in fund balance	104,457	115,445	303,985
Opening balance	1,928,017	1,928,017	1,624,032
Closing balance (Note 11)	\$ 2,032,474	\$ 2,043,462	\$ 1,928,017

See accompanying notes to consolidated financial statements.

Schedule 2 — Capital FundFOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

	2002	Budget	2001
Revenues			
Government transfers (Note 13)	\$ 78,106	\$ 103,191	\$ 84,478
Developer and customer contributions	60,437	55,679	72,848
Other	407		101
	138,950	158,870	157,427
Expenditures			
Protective services:			
Police and bylaw enforcement	9,041	9,397	6,742
Emergency response	366	1,325	1,266
	9,407	10,722	8,008
Transportation services:			
Bus and light rail transit	20,139	32,701	21,507
Roadway and parking	103,540	138,478	115,092
	123,679	171,179	136,599
Community services:			
Parks and recreation	11,903	39,008	38,158
Edmonton Public Library	2,612	3,602	339
Planning	2,339	4,445	2,314
Convention and tourism	437	315	607
	17,291	47,370	41,418
Utility and enterprise services:			
Sanitary	41,911	59,125	56,614
Mobile equipment	40,066	67,003	38,420
	81,977	126,128	95,034
Waste management and storm sewer	26,133	36,431	121,641
Corporate administration	14,107	13,726	12,727
	272,594	405,556	415,427
Excess of expenditures over revenues	133,644	246,686	258,000
Net interfund transfers			
From operating fund	130,618	148,211	137,880
From reserve fund	3,457	14,876	7,314
Debenture borrowings	23,000	49,304	147,300
	157,075	212,391	292,494
Change in fund balance	23,431	(34,295)	34,494
Opening balance	71,289	71,289	36,795
Closing balance (Note 10)	\$ 94,720	\$ 36,994	\$ 71,289

See accompanying notes to consolidated financial statements.

Schedule 3 — Reserve FundFOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

	2002	Budget	2001
Opening balance	\$ 105,658	\$ 105,658	\$ 101,263
Add (deduct):			
Transfer from operating fund	24,040	3,433	22,578
Transfer to operating fund	(24,332)	(10,185)	(10,869)
Net transfer from (to) operating fund	(292)	(6,752)	11,709
Transfer from capital fund	3,578		4,186
Transfer to capital fund	(7,035)	(14,876)	(11,500)
Net transfer to capital fund	(3,457)	(14,876)	(7,314)
Change in fund balance	(3,749)	(21,628)	4,395
Closing balance (Note 9)	\$ 101,909	\$ 84,030	\$ 105,658

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

The City of Edmonton is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c. M-26, as amended (MGA).

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The City of Edmonton (the City) are prepared by management in accordance with generally accepted accounting principles for municipal governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported operations, they include the following:

- Edmonton Sanitary Sewage System
- Land Enterprise
- Mobile Equipment Services
- Ed Tel Endowment Fund
- The Edmonton Public Library
- Economic Development Edmonton

Interdepartmental and organizational transactions and balances are eliminated.

Certain subsidiary corporations are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 16). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Subsidiary corporations accounted for in this manner are:

- EPCOR Utilities Inc.
- The City of Edmonton Non-Profit Housing Corporation

The statements exclude trust assets that are administered for the benefit of external parties (Note 20).

b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenditures are accounted for in the period the goods and services are acquired and a liability is incurred or transfers are due.

c) Fund Accounting

Funds within the consolidated financial statements consist of the operating, capital, and reserve funds. Transactions between funds are recorded as interfund transfers.

d) Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

Notes to Consolidated Financial Statements (continued)

FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

e) Long-Term Investments

Fixed income investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. Purchase premiums and discounts are amortized on the present value basis over the terms of the issues.

Investments in common and preferred shares are recorded at cost, or at cost less amounts written off to reflect a permanent decline in value.

f) Physical Assets

Physical assets, comprised of capital assets, local improvements, land for future municipal purposes, and inventories of materials and supplies, are recognized as expenditures in the period they are acquired.

Capital assets employed in general government tax-supported operations are carried on the statement of financial position at cost net of financing provided from capital fund revenues, reserve fund, and operating fund. Capital assets employed in other operations are carried at cost, and the related financing from capital fund revenues, reserve fund, and operating fund is recorded as equity in physical assets. Capital assets are amortized over their estimated useful lives.

Local improvements are authorized by property owners and undertaken by the City. The construction and borrowing costs are recovered through annual local improvement assessments during the period of the related borrowings.

Land for future municipal purposes is valued at cost. Inventories of materials and supplies are valued at the lower of average cost and replacement cost.

g) Equity in Physical Assets

Equity in physical assets represents the investment in physical assets, after deducting the portion financed by long-term debt.

h) Reserve Fund

Certain amounts, as approved by City Council, are set aside in reserves for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

i) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

j) Foreign Currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31 and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenditures are translated at rates in effect at the time of the transactions. Gains (losses) on foreign currency translation are included as revenues (expenditures).

k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements (continued)FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)**2. CASH AND SHORT-TERM INVESTMENTS**

	2002	2001
Bankers' acceptances, treasury bills and commercial paper, at cost	\$ 5,263	\$ 6,738
Fixed income:		
Short-term notes and deposits	102,200	32,613
Government and government guaranteed bonds	2,595	85,553
Corporate bonds and debentures	5,264	11,083
	110,059	129,249
Cheques outstanding in excess of deposits	(21,496)	(17,294)
	\$ 93,826	\$ 118,693

Short-term notes and deposits have effective rates of 2.6 to 2.9 per cent (2001 - 2.2 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 2.9 to 4.4 per cent (2001 - 5.5 to 12.9 per cent) with maturity dates from May 1, 2003 to December 1, 2005 (2001 - June 5, 2003 to June 1, 2009). Market value of fixed income investments is \$110,334 (2001 - \$130,899).

3. LONG-TERM INVESTMENTS

	2002	Cost 2001	Market Value 2002	2001
Cash	\$ 441	\$ 1,287	\$ 441	\$ 1,287
Amounts receivable - net	1,095	871	1,095	871
Fixed income:				
Short-term notes and deposits	69,811	49,418	70,276	49,392
Government and government guaranteed bonds	361,873	434,651	372,717	441,804
Corporate bonds and debentures	133,453	149,639	137,166	151,090
	565,137	633,708	580,159	642,286
Common and preferred shares:				
Canadian	224,147	208,814	213,198	218,623
International	239,944	189,842	204,112	191,513
	464,091	398,656	417,310	410,136
Other investments	65	20	65	20
	\$ 1,030,829	\$ 1,034,542	\$ 999,070	\$ 1,054,600

Short-term notes and deposits have effective interest rates of 2.6 to 3.0 per cent (2001 - 2.0 to 2.2 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 2.7 to 7.5 per cent (2001 - 4.0 to 10.8 per cent) with maturity dates from February 20, 2003 to December 31, 2049 (2001 - January 17, 2002 to June 1, 2033).

Included in the carrying value of long-term investments is \$77,590 (2001 - \$96,946) held exclusively for capital transportation projects (Note 6).

The cost of common and preferred shares exceeds market value as at December 31, 2002. Given the ongoing market volatility, management is of the opinion that the loss in value is a temporary decline.

Notes to Consolidated Financial Statements (continued)FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)**4. PHYSICAL ASSETS**

	Cost	Accumulated Depreciation	2002 Net Book Value	2001 Net Book Value
Capital assets:				
Sanitary Sewage System	\$ 725,896	\$ 161,096	\$ 564,800	\$ 534,505
Engineering structures	202,285	83,214	119,071	133,073
Land	1,344		1,344	1,344
Buildings	74,830	41,329	33,501	37,462
Vehicles	192,407	76,171	116,236	92,141
Machinery and equipment	8,763	3,759	5,004	4,841
	1,205,525	365,569	839,956	803,366
Local improvements	110,762	48,742	62,020	69,754
Land for future municipal purposes	10,369		10,369	14,171
Inventories of materials and supplies	14,431		14,431	13,483
	\$ 1,341,087	\$ 414,311	\$ 926,776	\$ 900,774

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is \$12,458 (2001 - \$11,618) of the estimated total landfill closure and post closure care expenditures of \$13,795. The estimated liability for these expenditures is recognized as the landfill site's capacity is used and the reported liability represents the portion of the estimated total expenditures recognized as at December 31, 2002, based on the cumulative capacity used at that date, compared to the total estimated landfill capacity. Estimated total expenditures represent the sum of the discounted future cash flows for closure and post closure care activities discounted at the City's average long-term borrowing rate of 7.3 per cent.

Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a forty-year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated remaining capacity of the landfill site is 9.7 per cent of its total estimated capacity and its estimated remaining life is 11 years, after which the period for post closure care is estimated to be 30 years.

Notes to Consolidated Financial Statements (continued)

FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

6. DEFERRED REVENUE

Included in deferred revenue are the funds noted below, the use of which, together with any earnings thereon, is restricted by agreement. These funds are recognized as revenue in the period they are used for the purpose specified:

	2002	2001
Capital transportation project funds	\$ 92,617	\$ 113,361
Infrastructure Canada-Alberta Program (ICAP)	27,980	28,993

The City received \$1,828 (2001- \$28,715) for the ICAP projects from the Provincial and/or Federal Government and \$45,000 (2001- nil) for the capital transportation projects from the Provincial Government. Under the funding agreements with the Province and/or Federal Government, the use of these funds is restricted to eligible capital expenditures, as approved by the governments.

Unexpended funds for capital transportation projects are supported by long-term investments of \$77,590 (2001 - \$96,946), held exclusively for funding these projects (Note 3).

7. EMPLOYEE BENEFIT OBLIGATIONS

	2002	2001
Accrued vacation	\$ 39,884	\$ 37,606
Income replacement plan	13,800	12,932
Group life plan	2,074	2,217
Other	(66)	4,917
	\$ 55,692	\$ 57,672

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April of 1991. The outstanding liability will be paid to employees in accordance with the agreed upon terms and conditions of the plan. The liability is based on an actuarial valuation completed by the actuaries of Aon Consulting as at December 31, 2002.

The City sponsors certain employee benefit plans, which are funded through employee and/or employer contributions. Premium contributions, interest earnings, payments for benefit entitlements, and administrative costs are applied to each of the respective plans.

Notes to Consolidated Financial Statements (continued)FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)**8. LONG-TERM DEBT****a) Debt payable, issued in the name of the City, includes the following amounts:**

	2002	2001
Debentures	\$ 1,494,801	\$ 1,578,692
Mortgages	13,622	13,855
	1,508,423	1,592,547
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	626,988	717,760
Royal Alexandra Hospital		724
Edmonton Northlands	3,015	
Less sinking fund and debt defeasance fund assets	501,399	462,770
	\$ 377,021	\$ 411,293
Long-term debt is comprised of:		
Self-liquidating debt	\$ 351,070	\$ 370,041
Tax-supported debt	25,951	41,252
	\$ 377,021	\$ 411,293

The amount receivable from EPCOR Utilities Inc. relates to debentures issued in the name of the City on behalf of EPCOR Utilities Inc. and has the same repayment terms as the respective debt.

Outstanding debentures of \$958,844 are secured by debt defeasance fund assets with a carrying value of \$12,420 (market value - \$12,775) and sinking fund assets with a carrying value of \$488,979 (market value - \$511,709) and required earnings of 5.0 to 7.0 per cent. These assets are comprised of short-term notes and deposits, government and government guaranteed bonds and corporate bonds and debentures. Government and government guaranteed bonds include The City of Edmonton debentures with a carrying value of \$112,357 (market value - \$117,989).

Short-term notes and deposits have an effective interest rate of 2.9 to 3.0 per cent (2001 - 2.1 to 2.2 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 5.3 to 12.9 per cent (2001 - 5.4 to 12.9 per cent) with maturity dates from February 20, 2003 to June 1, 2019 (2001 - June 1, 2002 to October 15, 2018).

Notes to Consolidated Financial Statements (continued)

FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

Principal payments on long-term debt for the next five years are as follows:

	2003	2004	2005	2006	2007
Self-liquidating debt	\$ 103,897	\$ 85,880	\$ 75,619	\$ 67,077	\$ 57,304
Tax-supported debt	16,650	9,301			
	120,547	95,181	75,619	67,077	57,304
Less:					
Payments on offsetting amounts receivable	42,832	29,575	26,326	22,084	16,786
Sinking fund principal	28,736	27,376	25,387	25,387	24,028
	\$ 48,979	\$ 38,230	\$ 23,906	\$ 19,606	\$ 16,490

Payments on offsetting amounts receivable and sinking fund principal amounts relate to self-liquidating debt. The above amounts do not include annual sinking fund required earnings.

b) Debt limit:

Regulations under section 271 of the MGA, as passed by the Province of Alberta, establish municipal debt limits. The debt limit for the City is two times revenue net of capital government transfers, as defined in the Regulation, or \$2,047,630. Total debt at December 31, 2002 calculated as outlined in the Regulation is \$393,348.

Limitations on the City's 2003 debt service are set as 0.35 times 2002 revenue net of capital government transfers or \$358,335. Debt service, as defined in the Regulation, is \$88,329.

c) Maturities and interest rates:

Existing long-term debt matures in annual amounts to the year 2026 and debenture interest is payable, before provincial subsidy, at rates ranging from 4.4 to 12.0 per cent per annum. The average annual interest rate is 7.3 per cent for 2002 (2001 - 7.6 per cent), before rebate. The Province of Alberta rebates 60 per cent of interest in excess of 8 per cent, 9 per cent, and 11 per cent, for qualifying debt issues.

d) Interest on long-term debt:

	2002	2001
Self-liquidating debt	\$ 148,148	\$ 152,586
Tax-supported debt	1,086	1,104
	149,234	153,690
Less payments on offsetting amounts receivable	119,400	125,325
Long-term debt interest included in interest and bank charges (Note 15)	\$ 29,834	\$ 28,365

Notes to Consolidated Financial Statements (continued)FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)**9. RESERVE FUND**

	2002	2001
General Government:		
Financial Stabilization	\$ 47,651	\$ 30,732
Funds in Lieu - Residential	14,941	12,930
Other	6,528	9,729
Waste Management Rate Stabilization	5,855	14,817
Enterprise Portfolio	5,489	4,564
Parkland Reserve	5,138	4,525
Benefit Plan	3,800	
Perpetual Care	3,085	2,939
Self Insurance	2,500	4,673
Capital City Recreation Park	1,357	2,969
Social Services Revenue Stabilization	1,210	1,185
Heritage Resources	766	559
Convention Centre	316	1,147
Interest Rebate	204	573
Snow Removal		7,600
Downtown Housing Reinvestment Grant		1,195
Accommodation		514
	98,840	100,651
Edmonton Public Library	3,069	3,783
Economic Development Edmonton		1,224
	\$ 101,909	\$ 105,658

As a result of a review completed in 2002, certain reserves have been consolidated within the general Financial Stabilization Reserve. A benefit plan reserve has been established to maintain industry-standard reserves relating to City sole-sponsored benefit plans.

Notes to Consolidated Financial Statements (continued)FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)**10. CAPITAL FUND**

The capital fund balance is comprised of the following:

	2002	2001
Financing available:		
Funds for future construction	\$ 63,201	\$ 57,026
Sanitary drainage physical assets	49,387	23,554
Land for future municipal purposes	1,398	413
Other physical assets		1,600
	113,986	82,593
Amounts to be financed:		
Inventories of materials and supplies	(12,328)	(11,304)
Other physical assets	(6,938)	
	(19,266)	(11,304)
	\$ 94,720	\$ 71,289

Amounts to be financed related to inventories of materials and supplies will be financed at the point they are utilized.

Other physical assets to be financed will be considered within the City's Capital Priorities Plan (Note 18).

11. OPERATING FUND

	Dec. 31 2001	Excess (Deficiency) of Revenues over Expenditures	Transfers and Debt Repayment	Dec. 31 2002
General Government				
- Operations	\$ 37,819	\$ (12,891)	\$ (17,608)	\$ 7,320
- Pension and benefits	20,892	18,963	190	40,045
- Excess earnings on Sinking Fund	27,370	12,992	(9,625)	30,737
Sanitary Sewage System		46,066	(46,066)	
Land Enterprise	25,060	6,378	4,422	35,860
Mobile Equipment Services	25,412	18,260	(20,018)	23,654
Ed Tel Endowment Fund	577,893	14,237		592,130
EPCOR Utilities Inc.	1,212,066	190,465	(100,500)	1,302,031
Non-Profit Housing Corporation	655	36		691
The Edmonton Public Library	470	(392)	718	796
Economic Development Edmonton	321	(2,061)	889	(851)
Taxi Cab Commission	59	2		61
	\$ 1,928,017	\$ 292,055	\$ (187,598)	\$ 2,032,474

The general government operations fund balance at December 31 is fully appropriated. \$17,572 of the December 31, 2002 excess earnings on the Sinking Fund balance is appropriated for capital expenditures and for transfer to the Financial Stabilization Reserve.

Notes to Consolidated Financial Statements (continued)FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)**12. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES**

	2002	2001
Taxes:		
Property and business taxes	\$ 651,439	\$ 623,712
Revenue in lieu of taxes	20,833	21,879
Local improvement levies	13,458	18,126
Other	3,355	2,813
	689,085	666,530
Less taxes on behalf of:		
Education	215,483	209,809
Business revitalization zones	1,509	1,334
	216,992	211,143
Net taxes available for municipal purposes	\$ 472,093	\$ 455,387

The City is required to levy taxes under section 353 of the Municipal Government Act towards the payment of education requisitions. Education tax revenues are recorded at the amounts levied. Taxes levied over (under) the amount requisitioned are recorded as accounts payable (receivable).

An amount of education taxes payable of \$1,071 has been recorded at December 31, 2002 (2001 - \$899) within accounts payable and accrued liabilities.

13. GOVERNMENT TRANSFERS

The following government transfers have been included in revenues:

	2002	2001
Operating transfers:		
Federal	\$ 989	\$ 1,046
Provincial	26,150	23,788
	27,139	24,834
Capital transfers:		
Federal:		
Shared cost agreements	2,496	71
Provincial:		
Shared cost agreements	2,496	71
Grants and entitlements	73,114	84,336
	78,106	84,478
	\$ 105,245	\$ 109,312

Notes to Consolidated Financial Statements (continued)

FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

14. EXECUTIVE SALARIES AND BENEFITS

The following executive salaries and benefits are disclosed as required by Regulations under section 276 of the Municipal Government Act passed by the Province of Alberta.

	Salaries	Benefits	2002	2001
Mayor	\$ 114	\$ 4	\$ 118	\$ 115
Councillors (12)	776	32	808	708
Chief administrative officer	212	15	227	214
City Assessor	105	12	117	106
	\$ 1,207	\$ 63	\$ 1,270	\$ 1,143

Councillors are paid a base salary of \$64.6. Each receive benefits in the range of \$1.8 to \$3.7.

Executive salaries and benefits are included in corporate administration expenditures.

15. EXPENDITURES BY OBJECT

	2002	2001 (Note 21)
Salaries, wages, and employee benefits	\$ 543,995	\$ 506,482
Contracted and general services	309,372	415,444
Materials, goods, supplies, and utilities	206,884	202,505
Interest and bank charges	39,921	42,641
Other	33,839	64,746
	\$ 1,134,011	\$ 1,231,818

Notes to Consolidated Financial Statements (continued)FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)**16. SUBSIDIARY CORPORATIONS****a) EPCOR Utilities Inc.**

EPCOR Utilities Inc., established by City Council under City Bylaw 11071, is wholly owned by The City of Edmonton and provides regulated and non-regulated electric utility services, natural gas services, water utility services, and complementary commercial services.

The following table provides condensed supplementary financial information for EPCOR Utilities Inc.

	2002	2001 (Note 21)
Financial position:		
Current assets and deferred assets	\$ 964,231	\$ 1,329,666
Capital assets	3,373,300	2,856,800
Other assets	374,800	356,900
Total assets	4,712,331	4,543,366
Current liabilities (including current portion of long-term debt of \$66,100)	932,500	1,272,600
Non-current liabilities	638,400	429,000
Long-term debt	1,839,400	1,629,700
Total liabilities	3,410,300	3,331,300
Net assets	1,302,031	1,212,066
Results of operations:		
Revenues	2,748,937	3,723,829
Operating expenses	2,331,100	3,230,300
Financing expenses	155,600	154,500
Income taxes and amounts in lieu of income taxes expense	77,800	112,200
Net income	184,437	226,829
Foreign currency translation (2001-future income tax adjustment)	6,028	156,225
Net income and adjustments	\$ 190,465	\$ 383,054

The above information is as reported by EPCOR Utilities Inc. Long-term debt reported by EPCOR Utilities Inc. includes amounts issued in the name of the City. Offsetting short and long-term receivables from EPCOR Utilities Inc. have been applied to reduce the consolidated long-term debt (Note 8).

Effective for January 1, 2001, EPCOR Utilities Inc. became subject to a regulation in Alberta, requiring payment of amounts in lieu of income taxes on certain of its operations. As a result, EPCOR Utilities Inc. recognized a future amount in lieu of tax asset.

On January 1, 2001 the Alberta electricity marketplace opened to retail competition. The Ontario electricity marketplace opened to retail competition on May 1, 2002. Data, processes for analysis, and systems which are used to estimate electricity revenues and costs are complex. Estimation procedures will not necessarily detect errors in underlying data provided by industry participants including wire service providers and load settlement agents. Any subsequent adjustments to estimates, which will impact net income, will be recorded in the period they become known.

Notes to Consolidated Financial Statements (continued)

FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

The following summarizes the City's related party transactions with EPCOR Utilities Inc. for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	2002	2001
Dividend received	\$ 100,500	\$ 90,500
Power and water purchased	22,500	11,500
Other services purchased	23,800	24,600
Franchise fees and revenue tax received	30,300	29,500
Property taxes and other taxes	9,100	9,000
Sales of administrative and construction services	17,600	20,500
Excess earnings in Sinking Fund available to EPCOR Utilities Inc. as at December 31	10,300	28,100

EPCOR Utilities Inc. has issued letters of credit for \$49.5 million (2001 - \$84.7 million) to meet the credit requirements of the energy market participants and to satisfy legislated reclamation requirements.

On January 23, 2003, Epcor Utilities Inc. completed an agreement with Transalta Corporation (Transalta) for Transalta to acquire a 50 per cent interest in the Genesee Phase 3 project. On January 23, 2003, Transalta paid approximately \$157.0 million in cash for their share of costs incurred to date on that project.

b) The City of Edmonton Non-Profit Housing Corporation (Non-Profit Housing Corporation)

The City is the sole shareholder of Non-Profit Housing Corporation, established in 1977 for the purpose of providing non-profit housing for the citizens of Edmonton.

The following table provides condensed supplementary financial information for Non-Profit Housing Corporation.

	2002	2001
Financial position:		
Current assets	\$ 3,336	\$ 3,480
Housing projects	25,129	26,278
Total assets	28,465	29,758
Current liabilities	1,675	1,774
Mortgages payable	25,262	26,350
Total liabilities	26,937	28,124
Replacement reserves	837	979
Net assets	691	655
Results of operations:		
Revenues - rental	4,008	3,782
Revenues - operating assistance	946	1,052
Rental expenses	4,454	4,256
Administrative expenses	204	214
Other income	63	92
Replacement reserve allocation	(323)	(337)
Net income	\$ 36	\$ 119

Pursuant to operating agreements, Non-Profit Housing Corporation receives subsidies from Canada Mortgage and Housing Corporation (CMHC) and Alberta Social Housing Corporation (ASHC).

Notes to Consolidated Financial Statements (continued)

FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

17. PENSION PLANS**a) Local Authorities Pension Plan**

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan, which is one of the plans covered by the Public Sector Pension Plans Act.

The City is required to make current service contributions to the Plan of 5.025 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 6.900 per cent thereafter. Employees of the City are required to make current service contributions of 4.025 per cent of pensionable salary up to YMPE and 5.900 per cent thereafter. Contributions for current service are recorded as expenditures in the year in which they become due. Effective January 1, 2003 both employer and employee contribution rates will increase by 0.5 per cent.

Total current service contributions by the City to the Local Authorities Pension Plan in 2002 were \$18,304 (2001 - \$17,006). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2002 were \$15,538 (2001 - \$14,374).

b) Special Forces Pension Plan

Police officers employed by the City are participants in the Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 9.05 per cent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Participants of the SFPP are required to make current service contributions of 7.95 per cent of pensionable salary and past service contributions of 0.75 per cent of pensionable salary to the Plan. Contributions for current and past service are recorded as expenditures in the year in which they become due. Effective January 1, 2003 both employer and employee contribution rates for current service will increase by 1.31 per cent.

Total current and past service contributions by the City to the SFPP in 2002 were \$7,465 (2001 - \$7,381). Total current and past service contributions by the participants to the SFPP in 2002 were \$6,722 (2001 - \$6,653).

c) City-Sponsored Pension Plans**i) Annuity Fund**

The City provides pension benefits to members who were retired at the time the City's Pension Plan was transferred to the Province of Alberta.

ii) Police Supplementary Pension Fund

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the Local Authorities Pension Plan for 35 beneficiaries. There are no active police officers enrolled in PSPP and no further contributions are expected to be made to the Fund.

iii) Fire Fighters' Supplementary Pension Fund

The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the Local Authorities Pension Plan. Active fire fighters continue to earn pension credits under the FFSPP.

Notes to Consolidated Financial Statements (continued)

FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)

iv) Fire Chief and Deputy Fire Chief Supplementary Pension Fund

The City of Edmonton Fire Chief and Deputy Fire Chief Supplementary Pension Plan (Fire Chief) is a defined benefit pension plan covering employees in the position of fire chief and deputy fire chief. Contributions are made by Plan members and the City. The pension is reduced by the pension payable to the member under the Local Authorities Pension Plan.

The following table sets out the results for each of the plans:

	Annuity	PSPP	FFSPP	Fire Chief	2002	2001
Fair value of assets	\$ 5,827	\$ 5,193	\$ 94,501	\$ 1,061	\$ 106,582	\$ 113,222
Accrued benefit obligation	79	1,176	78,436	1,271	80,962	72,200
Funded status - surplus (deficit)	5,748	4,017	16,065	(210)	25,620	41,022
Unamortized net actuarial loss			22,953	92	23,045	8,896
Accrued benefit asset (liability)	5,748	4,017	39,018	(118)	48,665	49,918
Valuation allowance	5,748	4,017			9,765	30,281
Net fund asset (liability)			39,018	(118)	38,900	19,637
Benefit plan related expense				6	6	21

An actuarial valuation of the FFSPP plan was completed by Aon Consulting as at December 31, 2002. Actuarial valuations for the other three plans were completed by Aon Consulting as at December 31, 2000 and were extrapolated to December 31, 2002. The 2002 actuarial valuation and extrapolations were based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 3.0 per cent (2001 - 3.25 per cent). The discount rate used to determine the accrued benefit obligation is 7.0 per cent (2001 - 7.5 per cent). Pension fund assets are valued at market value. The expected rate of return on plan assets is 7.0 per cent (2001 - 7.5 per cent).

Net fund asset (liability) is included in prepaid expenses and deferred charges.

18. CAPITAL COMMITMENTS

City Council has approved a 2003 - 2007 Capital Priorities Plan of \$554,418. The 2003 requirement of \$338,199 is to be funded as follows:

Reserves, grants, and developer contributions	\$ 177,258
Self-liquidating debentures	43,806
Tax-supported debentures	17,200
Pay-as-you-go financing	99,935
	\$ 338,199

Capital requirements related to EPCOR Utilities Inc. are not included in the Capital Priorities Plan.

19. CONTINGENT LIABILITIES

- a) The City is defendant in various lawsuits as at December 31, 2002. While it is not possible to estimate the ultimate liability with respect to the pending litigation, the City Solicitor believes there will be no material adverse effect on the financial position of the City.
- b) The City is reviewing environmental objectives and liabilities for its activities and properties and potential site reclamation obligations. The amount of any such obligations has not been determined.

Notes to Consolidated Financial Statements (continued)FOR THE YEAR ENDED DECEMBER 31, 2002
(IN THOUSANDS OF DOLLARS)**20. TRUST ASSETS AND LIABILITIES**

The City administers the following trusts on behalf of third parties. As related trust assets are not owned by the City, the trusts have been excluded from the consolidated financial statements.

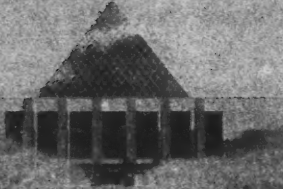
	Dec. 31 2001	Deposits (Withdrawals)	Earnings (losses)	Dec. 31 2002
Pension Fund Net Assets:				
Annuity Fund	\$ 6,139	\$ (67)	\$ (245)	\$ 5,827
Police Supplementary Pension Fund	5,517	(104)	(220)	5,193
Fire Fighters' Supplementary Pension Fund	100,406	(1,904)	(4,001)	94,501
Fire Chief and Deputy Fire Chief Supplementary Pension Plan	1,160	(52)	(47)	1,061
	113,222	(2,127)	(4,513)	106,582
Long-Term Disability Plan	38,087	1,955	1,714	41,756
Other	102	150	3	255
	\$ 151,411	\$ (22)	\$ (2,796)	\$ 148,593

Pension Fund assets include fixed income investments in government and government guaranteed bonds, corporate bonds, short-term notes and deposits, valued at market quotations from Canadian investment dealers, and common and preferred shares valued at the closing price on the stock exchange where listed. Assets of the pension funds are administered by the Investment Committee of The City of Edmonton.

21. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.





The City of Edmonton, Alberta, Canada

Schedules and Statistics 2002

Schedules and Statistics Statistical Review for the Years 1998 to 2002

UNAUDITED
(IN THOUSANDS OF DOLLARS)

	2002	2001	2000	1999	1998
Population (Note 1)	666,104	666,104	648,284	648,284	616,306
Population age distribution (%)					
0-4	5.80	5.80	5.93	5.93	6.93
5-19	19.64	19.64	19.86	19.86	19.98
20-29	16.54	16.54	16.61	16.61	16.21
30-39	15.87	15.87	17.08	17.08	18.65
40-49	16.20	16.20	15.64	15.64	14.75
50-59	10.58	10.58	9.75	9.75	8.83
60-64	3.69	3.69	3.68	3.68	3.58
65+	11.68	11.68	11.45	11.45	11.07
Area - in hectares	70,067	70,067	70,067	70,067	70,067
- in square kilometers	700	700	700	700	700
Value of building permits	\$ 1,141,696	\$ 904,536	\$ 786,706	\$ 657,535	\$ 674,649
Number of housing starts (per Canada Mortgage and Housing Corporation)	8,821	4,811	3,765	3,932	3,591
Consumer price index - 1992 base year (per Statistics Canada)					
Edmonton	121.9	118.4	115.9	112.2	109.7
Alberta	124.2	120.1	117.4	113.4	110.7
Canada	119.0	116.4	113.5	110.5	108.6
Unemployment rate (%) - annual average (per Statistics Canada)					
Edmonton	5.1	4.9	5.5	5.9	6.2
Alberta	5.3	4.6	5.0	5.7	5.7
Canada	7.7	7.2	6.8	7.6	8.3
City of Edmonton employees (Note 2)	9,301	9,084	8,976	8,443	8,482

Notes:

1. The population figures are as per the 1996, 1999 and 2001 Canada Census.
2. Positions are stated in full time equivalents (FTE's).

Schedules and Statistics

Statistical Review for the Years 1998 to 2002 (continued)

UNAUDITED
(IN THOUSANDS OF DOLLARS, EXCEPT PER CAPITA)

	2002	2001	2000	1999	1998
Assessment:					
Total taxable assessment	\$ 39,720,706	\$ 36,344,255	\$ 33,654,816	\$ 32,724,906	\$ 28,518,674
Percentage of total assessment represented by:					
Residential properties	74.7	74.6	75.1	74.0	72.1
Commercial properties	25.3	25.4	24.9	26.0	27.9
Taxable assessment per capita	\$ 59,631	\$ 54,562	\$ 51,914	\$ 50,479	\$ 46,274
Market value of taxable assessment (Note 1)	\$ 39,720,706	\$ 36,344,255	\$ 33,654,816	\$ 32,724,906	\$ 30,574,422
Assessment for principal taxpayers (%) (Note 2)	5.7	5.9	8.2	6.7	5.5
Rates of taxation (mills):					
Single family residential	11.60	12.28	13.43	13.50	15.19
Other residential property	13.00	13.73	14.88	14.94	16.66
Commercial and industrial	22.72	23.54	25.60	25.00	27.62
Tax levy, collections, and arrears:					
Current year's levy:					
Property	\$ 591,407	\$ 570,388	\$ 581,225	\$ 564,127	\$ 537,518
Business	76,845	74,263	71,036	68,467	64,184
Collections:					
Property	\$ 584,504	\$ 565,636	\$ 577,516	\$ 549,207	\$ 528,038
Business	76,743	74,965	71,291	67,814	64,864
Arrears at December 31- net:					
Property	\$ 21,356	\$ 20,624	\$ 25,535	\$ 29,938	\$ 28,024
Business	1,474	1,173	1,641	2,011	1,356
Percentage of current property taxes collected	96.6	97.4	97.8	94.2	95.5
Percentage of net property tax arrears collected	63.7	39.4	31.0	63.2	44.4
Property tax arrears per capita (gross)	\$ 43.44	\$ 42.97	\$ 55.52	\$ 58.18	\$ 63.74
Property tax arrears per capita (net)	32.06	30.96	39.39	46.18	45.47
Property tax levy per capita	887.86	856.31	896.56	870.18	872.16
Education Taxes	215,483	209,809	244,892	240,425	232,682

Source: The City of Edmonton Corporate Services Department

Notes:

1. Effective in 1999 The City of Edmonton adopted market value assessment as the basis for property taxation and the assessment is per the tax bylaw.
2. Includes the ten highest taxpayers by assessment value.

Schedules and Statistics

Statistical Review for the Years 1998 to 2002 (continued)

UNAUDITED
(IN THOUSANDS OF DOLLARS)

	2002	2001	2000	1999	1998
Investment funds (Note 1):					
Ed Tel Endowment Fund					
Net assets-market value	\$ 560,817	\$ 587,801	\$ 616,509	\$ 593,130	\$ 582,872
Net assets-cost	592,130	577,893	577,325	540,911	532,037
Net earnings	14,237	41,416	75,809	47,391	52,458
Fund rate (%)	2.4	7.2	14.0	8.9	10.0
Market (%)	-4.4	3.6	11.2	8.6	9.4
The Reserves Fund					
Net assets-market value	\$ 342,279	\$ 333,558	\$ 283,208	\$ 220,724	\$ 173,726
Net assets-cost	345,316	328,533	269,036	211,434	165,056
Net earnings	14,211	17,246	15,983	9,810	9,380
Fund rate (%)	4.4	6.4	7.6	5.8	8.2
Market (%)	2.0	3.3	9.5	5.9	9.4
The Sinking Fund					
Net assets-market value	\$ 555,059	\$ 511,493	\$ 458,607	\$ 389,329	\$ 374,149
Net assets-cost	530,066	491,678	440,285	383,872	330,336
Net earnings					
Required	24,034	21,373	18,849	16,453	17,144
Unappropriated	23,306	10,560	15,398	8,343	13,721
Total	47,340	31,933	34,247	24,796	30,865
Fund rate (%)	10.4	7.0	8.4	7.2	8.9
Market (%)	10.6	7.0	11.8	-3.4	9.4
The Transportation Fund (Note 2):					
Net assets-market value	\$ 75,243	\$ 99,888	\$ 153,476		
Net assets-cost	77,590	96,946	151,678		
Net earnings	6,316	8,620	7,789		
Fund rate (%)	5.4	6.2	6.5		
Market (%)	3.4	7.2	8.7		
Combined funds					
Net assets-market value	\$ 1,533,398	\$ 1,532,740	\$ 1,511,800	\$ 1,203,183	\$ 1,130,747
Net assets-cost	1,545,102	1,495,050	1,438,324	1,136,217	1,027,429
Net earnings	82,104	99,215	133,828	81,997	92,703

Notes:

1. a) Net earnings are realized earnings of the fund in accordance with generally accepted accounting principles.
- b) Fund rate is the rate expressed as the earnings for the year over the weighted average of total assets employed.
- c) Market return is based on the time weighted method in accordance with industry standards.
2. Statistics for the Transportation Fund in 2000 are for a nine month period.

Schedules and Statistics

Statistical Review for the Years 1998 to 2002 (continued)

UNAUDITED
(IN THOUSANDS OF DOLLARS)

	2002	2001	2000	1999	1998
Revenue - operating fund:					
General government revenue	\$ 794,873	\$ 795,132	\$ 784,244	\$ 712,789	\$ 713,467
Utility revenue	91,166	87,913	80,726	79,655	67,361
Subsidiary operations	190,501	383,173	149,188	116,561	121,085
Other revenue	76,932	56,070	90,099	57,451	77,588
	\$ 1,153,472	\$ 1,322,288	\$ 1,104,257	\$ 966,456	\$ 979,501
General government operating fund revenue (%):					
Taxation	59.4	57.3	54.7	57.7	55.1
Sale of goods and services	21.7	19.4	18.9	18.3	19.2
Franchise fees	5.6	6.3	6.7	7.0	7.1
Appropriation from Ed Tel					
Endowment Fund		5.0	5.0	5.4	6.7
Government transfers	2.9	2.7	5.4	3.2	3.5
Other	10.4	9.3	9.3	8.4	8.4
General government operating fund expenditures	\$ 788,801	\$ 746,908	\$ 718,693	\$ 678,091	\$ 637,269
Expenditures - capital fund	272,594	415,427	239,770	193,681	196,765
Reserve fund	101,909	105,658	101,263	97,799	88,780

Source: The City of Edmonton Corporate Services Department

Schedules and Statistics

Statistical Review for the Years 1998 to 2002 (continued)

UNAUDITED
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	2002	2001	2000	1999	1998
Long-term debt:					
Debt limit	\$ 2,047,630	\$ 2,024,792	\$ 1,982,178	\$ 1,763,366	\$ 1,794,810
Total debt per regulation	393,348	439,609	360,218	405,521	440,837
Debt service limit	358,335	354,339	346,881	308,589	314,092
Total debt service per regulation	88,329	100,394	97,343	103,155	110,075
General government debt service	47,391	42,395	41,009	43,200	45,569
General government debt service of general government operating fund expenditures (%)	6.0	5.7	5.7	6.4	7.2
Long-term debt – gross					
Self-liquidating	\$ 1,482,472	\$ 1,551,295	\$ 1,512,028	\$ 1,597,227	\$ 1,675,773
Tax-supported	25,951	41,252	55,315	69,604	83,666
Long-term debt - net of Sinking Fund					
Self-liquidating	\$ 993,493	\$ 1,115,084	\$ 1,125,925	\$ 1,258,707	\$ 1,382,441
Tax-supported	25,951	41,252	55,315	69,604	83,666
Net debt per capita					
Self-liquidating	\$ 1,491	\$ 1,674	\$ 1,737	\$ 1,942	\$ 2,243
Tax-supported	39	62	85	107	136
	\$ 1,530	\$ 1,736	\$ 1,822	\$ 2,049	\$ 2,379
Percentage of total debt to be retired					
Within 5 years	53.4	53.4	57.6	56.0	54.4
Within 10 years	76.5	78.3	85.0	84.7	83.6

Source: The City of Edmonton Corporate Services Department

Schedules and Statistics

Statistical Review for the Years 1998 to 2002 (continued)

UNAUDITED
(IN THOUSANDS OF DOLLARS)

Consolidated Expenditures By Function

	2002	2001	2000	1999	1998
Transportation services	\$ 322,141	\$ 321,896	\$ 304,574	\$ 276,920	\$ 269,457
Protective services	271,990	253,793	234,628	226,784	205,574
Community services	183,769	191,650	157,779	147,767	146,610
Corporate administration and general municipal	116,468	133,589	128,389	114,273	109,637
Utility and enterprise services	152,730	159,648	179,563	108,493	122,442
Waste management and storm sewer	86,913	171,242	65,262	70,014	60,294
	\$ 1,134,011	\$ 1,231,818	\$ 1,070,195	\$ 944,251	\$ 914,014

Consolidated Expenditures By Object

	2002	2001	2000	1999	1998
Salaries, wages, and employee benefits	\$ 543,995	\$ 506,482	\$ 498,358	\$ 472,447	\$ 463,265
Contracted and general services	309,372	415,444	325,809	255,693	222,449
Materials, goods, and supplies	206,884	202,505	172,461	156,947	161,565
Interest and bank charges	39,921	42,641	43,060	38,315	41,792
Other charges	33,839	64,746	30,507	20,849	24,943
	\$ 1,134,011	\$ 1,231,818	\$ 1,070,195	\$ 944,251	\$ 914,014

Related Boards and Authorities

Further information regarding the related Boards and Authorities can be obtained from the following sources:

Economic Development Edmonton

Shaw Convention Centre
9797 Jasper Avenue
Edmonton, Alberta T5J 1N9
Fax: (780) 426-0535
Web: www.ede.org
Chair: Audrey Lust
President and CEO: Allan Scott

The City of Edmonton Non-Profit Housing Corporation

20th Floor, Century Place
9803-102A Avenue
Edmonton, Alberta T5J 3A3
Fax: (780) 496-5510
Chair: Peter Abramowich
Vice-Chair: Lorne Dach
General Manager: Terry J. Loat

Edmonton Police Commission

Suite 911, 10365-97 Street
Edmonton, Alberta T5J 5A6
Fax: (780) 421-3572
E-mail: commission@police.edmonton.ab.ca
Chair: Martin Ignasiak
Chief of Police: Bob Wasylyshen

EPCOR Utilities Inc.

18th Floor, EPCOR Centre
10065 Jasper Avenue
Edmonton, Alberta T5J 3B1
Fax: (780) 412-3192
E-mail: corpafrs@epcor.ca
Web: www.epcor.ca
Chair: H. Bolton
President and CEO: D. Lowry

The Edmonton Public Library

7 Sir Winston Churchill Square
Edmonton, Alberta T5J 2V4
Fax: (780) 496-1885
Web: www.epl.ca
Chair: Professor Marco L. Adria
Vice-Chair: Ms. Dawn Fargey

Information on The City of Edmonton
is available through the internet

Inquires may also be directed:

by mail

The City of Edmonton
Corporate Services Department
Finance Branch
5th Floor, Chancery Hall
3 Sir Winston Churchill Square
Edmonton, Alberta, Canada T5J 2C3

by phone

(780) 496-5356

by fax

(780) 496-8854

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